

# Beverages business keeps Bowler Metcalf's earnings under pressure

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24 Mar 2014

Plastic packaging manufacturer and beverage bottler Bowler Metcalf reported an "unavoidable" 14% fall in earnings as margins were squeezed in its beverages business.



Bowler Metcalf recorded a disappointing loss of R6m despite an increase in turnover. Image: [ddpavumba Fotolia](#)

The group's headline earnings dropped from R35m to R29.9m, despite an 11% increase in revenue to R366.9m.

Chief executive Friedel Sass said margin pressure in beverages was heightened in peak season trading when tremendous pressure in the market offset good volumes.

But there were signs of improving trading conditions in the group's niche market segment.

He said Bowler Metcalf had been successful in getting involved in projects which have a longer maturity period.

"We have indicated that a lot of what we are doing will not be visible for a period of 18 months, or so, until these projects are mature," he said.

The group was encouraged by sizeable business that had been awarded to its plastics division in recent months. The new projects required additional capital expenditure of R45m.

Meanwhile, Bowler Metcalf's intention to grow its beverages bottling footprint in Gauteng produced a loss in the province,

offsetting strong divisional results in the Western Cape.

Sass said the Gauteng strategy hasn't lived up to the company's expectation and will be revised.

Despite the fall in group earnings, Bowler Metcalf declared an interim gross cash dividend of 18.4c a share, up from 17.5c previously. The dividend payment would come from income reserves.

"This reflects the positive mood in the business," Sass said.

He said Bowler Metcalf had managed and controlled its costs well and initiatives were undertaken that were helping to grow revenue, specifically within the beverages division.

"However, the effort that is being put in now will only show in about a year's time," he said.

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